



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

AUG 19 2002

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS ATTENTION: SENIOR ACQUISITION EXECUTIVES DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Performance Based Service Acquisitions

The Department needs to continue increasing the use of performance based service acquisitions (PBSA) because such acquisitions provide significant benefits to the government. By specifying our objectives, we allow contractors the latitude to determine the best way to achieve the objectives without constraints on how to achieve them. As you know, the Department established a goal to award 50 percent of contract actions and dollars using performance-based specifications by Fiscal Year 2005. We are making good progress toward meeting this goal. For FY 2002, the Department awarded over 20 percent of its service requirements using performance based specifications. Outlined below are the results of a recent Office of Federal Procurement Policy (OFPP) report and the Department's current goals and policies regarding PBSA.

OFPP issued a report developed by an interagency working group (report located at: http://www.whitehouse.gov/omb/procurement/july_revision_pbsat_task_force.pdf). The report recommends changes to the Federal Acquisition Regulation and PBSA reporting requirements, and recommends improving the quality and availability of guidance.

Based in part on recently enacted legislation, I ask each of you to work toward the following goals for the use of PBSA:

FY 2003	25 percent of dollars awarded
FY 2004	35 percent of dollars awarded
FY 2005	50 percent of dollars awarded

Measurement against these goals will be based solely on the percentage of contract dollars awarded using PBSA. While we should strive to use PBSA in acquiring most services, there are a few types of services that are not particularly well suited to PBSA. Such services are listed in the attachment. In order to focus efforts on the areas of greatest potential benefit, services listed on the attachment with low opportunities for utilizing PBSA will be excluded when computing the percentage of contract dollars awarded using PBSA (consistent with the OFPP report).

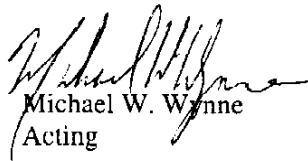


The use of statements of objectives (SOOs) is a highly effective tool in conducting PBSAs. SOO is a type of a statement of work, which includes a summary of key goals and/or outcomes desired. SOOs allow competitors to propose their solutions, including performance standards and a quality assurance surveillance plan based upon commercial business practices. You are encouraged to use SOOs to help ensure our continued success in the transformation to PBSAs.

A key component for increasing the use of PBSA is to ensure that requirements personnel understand how to prepare performance based specifications. Toward that end, 50 percent of all personnel who prepare statements of work for services contracts must receive appropriate training on preparing performance based statements of work by September 30, 2004, and the remainder must receive appropriate training by September 30, 2005. In addition to the training tools and on-line guidance already available (e.g., see "Seven Steps to Performance Based Services Acquisition" Guide at <http://oamweb.osdc.doc.gov/pbsc/index.html>), we are developing a distance learning course on the use of PBSA that should be available by October 2003.

To monitor progress toward meeting PBSA goals, I ask that you submit an annual report on the percentage of services contract dollars awarded that used PBSA by January of the year following the year being reported. Your reports should be submitted to the Director, Defense Procurement and Acquisition Policy. Beginning in January 2005, the report shall also include the number of personnel responsible for preparing statements of work for service contracts within your organization and the number that received PBSA training.

Questions concerning this policy should be directed to Dr. William C. Timperley at william.timperley@osd.mil, telephone 703-697-8336, or fax 703-614-1254.



Michael W. Wynne
Acting

Attachment:
As stated

The following Federal Procurement Data System (FPDS) service codes, as listed in the FPDS manual (<http://www.fpdc.gov/fpdc/rm2002.pdf>), are removed from the reporting requirement for use of performance based service acquisitions (PBSAs). While use of PBSAs procedures is not required for these categories, it may be used when appropriate.

- General Science and Technology R&D - AJ1_ through AJ9_
- Medical R&D - AN11 through AN14 (this leaves in AN15-16; there are different stages of research)
 - AN21 through AN24 (Retain final two stages of R&D as eligible)
 - AN31 through AN34 (Retain final two stages of R&D as eligible)
 - AN41 through AN44 (Retain final two stages of R&D as eligible)
 - AN51 through AN54 (Retain final two stages of R&D as eligible)
 - AN61 through AN64 (Retain final two stages of R&D as eligible)
 - AN71 through AN74 (Retain final two stages of R&D as eligible)
 - AN81 through AN84 (Retain final two stages of R&D as eligible)
 - AN91 through AN94 (Retain final two stages of R&D as eligible)
- Social Services R&D - AQ11 through AQ14 (Retain final two stages of R&D as eligible)
- AQ91 through AQ94 (Retain final two stages of R&D as eligible)
- Purchase of Structures and Facilities – E***
- Hazardous Substance Cleanup - F108
- Oil Spill Response - F112
- Non-nuclear Ship Repair, East and West - J998 and J999
- Medical Services (not facility-related) - Q501-Q527
- Education and Training Services – U001-U099
- Lease or Rental of Equipment – W0**
- Lease or Rental of Facilities – X***

ATTACHMENT